

Additions shown in **bold/underline** and deletions shown in ~~strikethrough~~

**Table 5: Criteria for DWSRF Principal Forgiveness and Prop 1 Grants**

Affordability Criteria		Maximum Principal Forgiveness, Grant, or Combination Thereof	
Type of Small Community Served by PWS <sup>1</sup>	Average Residential Water Rate as Percent of MHI <sup>2</sup>	Percentage of Total Eligible Project Cost <sup>3,4</sup>	Maximum Amount <sup>5,6</sup> for Construction
DAC	< 1.5%	Not eligible for reduced interest rates, extended financing terms, or principal forgiveness/grants for construction	
	1.5%-2%	up to <del>65</del> <b>80</b> %	\$5 Million
	<del>2%-2.5%</del>	up to <del>70</del> %	
	> 2.5% <sup>2</sup>	<del>from 90% up to 100%</del> <b>up to 80%</b>	
SDAC <sup>8</sup>	NA	up to 100%	

**Notes:**

1 PWSs applying for projects that will address a small community not currently served by a CWS may be considered to serve a small DAC or small SDAC, when that small community's MHI is less than eighty (80%) of the statewide MHI, or less than sixty percent (60%) of the statewide MHI, respectively. These projects, along with projects for PWSs owned by federally recognized Indian tribes and state Indian tribes listed on the Native American Heritage Commission's California Tribal Consultation list, or for PWSs owned public utilities regulated by the California Public Utilities Commission are eligible for grant under Prop 1 only, subject to all other requirements and limitations. Such projects, when serving a small DAC with financial hardship, may also be approved for reduced interest rates or extended financing terms under Prop 1 only, consistent with all other requirements and limitations.

2 For the purposes of calculating average residential water rate as percentage of MHI, service charges plus other costs specifically related to the drinking water system may be considered, including but not limited to, dedicated sales tax revenue, assessments, and fees.

3 The applicant may choose to fund the remainder of the total project cost (Local Cost Share) from other sources (e.g. repayable DWSRF/Prop 1 financing; grant funding from sources other than the State Water Board; or other sources). For funding applications with a completed financial review as of the date this plan is adopted, the Deputy Director of DFA has the discretion to approve funding consistent with the principal forgiveness amount and financing terms approved in the existing financial review, if the financing agreement is executed by December 4, 2015.

4 Regardless of water rates, projects addressing a small DAC may receive 100 percent (100%) of eligible planning costs, not to exceed a maximum of \$500,000 in principal forgiveness, grant, or a combination thereof, under the DWSRF and Prop 1. For a regional planning project, the Division may elect to approve more than \$500,000, but not to exceed \$500,000 per small DAC or small SDAC included in the regional planning effort.

5 The maximum amount of principal forgiveness, grant, or a combination thereof, under the DWSRF and Prop 1 for a small DAC's or small SDAC's proportional share of a construction project shall not exceed \$25,000 per service connection without State Water Board approval, and up to a maximum of \$5 million. DFA reserves the right to deny principal forgiveness, grant, or combination thereof from the DWSRF or Prop 1 if such principal forgiveness or grant is for a project that has already been funded in part by the DWSRF or Prop 1.

6 Projects are considered to provide regional benefit if the project addresses a public health issue that is ranked in categories A to C; involves three or more participating communities; and at least one of those participants is a small DAC. Regional benefit project may receive a combination of principal forgiveness and/or grant of not more than \$50,000 per service connection without State Water Board approval, up to \$5 million per each participating small DAC and up to a total of \$20 million.

**08/04/15 BD MEETING – ITEM #7  
CHANGE SHEET #2 (CIRCULATED 08/04/15)**

7 If water rates exceed 2.5% of the small DAC's MHI, and if the credit review shows inadequate revenues to afford repayment of the remaining project costs, the principal forgiveness/grant percentage may be increased to as high as 100 percent, as necessary to approve financing for the project. Even if 100 percent principal forgiveness/grant is approved, prior to construction financing approval, the PWS must document adequate revenues to operate and maintain the project.

8 NTNC-water systems serving facilities such as a public school, a not-for-profit private school, a daycare, a labor camp, an elder care facility, or a health care facility, that are owned by a public agency or a not-for-profit water company may be determined to be a small SDAC with financial hardship and to be eligible to receive up to one hundred percent (100%) principal forgiveness, grant, or a combination thereof under the DWSRF and Prop 1.